

Message Text

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ACTION NEA-10

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1. IN AN EFFORT TO GAIN A SOMEWHAT BETTER INSIGHT INTO WHAT GOI MAY BE CONTEMPLATING BY WAY OF A PRICE CHANGE AT OPEC'S CARACAS MEETING IN DECEMBER, EMBOFF ON JULY 19 SPOKE WITH NIOC'S DIRECTOR FOR OPEC AFFAIRS, YOUSSEFIANI. THIS OFFICIAL TRAVELED WITH AMOUZEGAR TO STOCKHOLM AND HAS ATTENDED ALL OPEC MINISTERIALS IN RECENT YEARS. WE DO NOT REPEAT NOT KNOW WHAT PRECISE ROLE HE PLAYS IN FORMULATION OF IRAN'S OIL PRICES POLICY BUT SUSPECT THAT THIS IS MINIMAL AND LARGELY RECOMMENDATORY. IN FINAL ANALYSIS, AS DEPARTMENT KNOWS, SHAH AND AMOUZEGAR ARE THE TWO PEOPLE WHO DETERMINE IRAN'S POSTURE ON PRICES IN OPEC FORUMS. NONETHELESS, WOULD JUDGE THAT YOUSSEFIANI IS A REASONABLY ACCURATE MIRROR OF AMOUZEGAR'S THINKING AND WE DOUBT THAT HIS "PERSONAL OPINION" WOULD STRAY FAR FROM WHAT HE BELIEVES TO BE AMOUZEGAR'S THINKING.

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2. YOUSSEFIANI GAVE IT AS HIS "STRICTLY PERSONAL OPINION" THAT "A MINOR UPWARD ADJUSTMENT" OF FIVE PERCENT WOULD OCCUR AT CARACAS. HE THOUGHT THAT THE TRENDS IN INFLATION IN THE MAJOR INDUSTRIALIZED OIL CONSUMING NATIONS WOULD JUSTIFY AN INCREASE OF THIS MAGNITUDE. HE SAID THAT NIOC, CENTRAL BANK OF IRAN, AND OTHER GOI AGENCIES CONSTANTLY FEED DATA TO AMOUZEGAR AND THE PALACE WHICH ARE USED IN THE FORMULATION OF RECOMMENDATIONS TO

THE SHAH ON WHAT INCREASE CAN BE "JUSTIFIED". SHAH, OF COURSE, MAKES FINAL DECISION. YOUSSEFIANI IN HIS REMARKS PUT SOME EMPHASIS ON IMPORTANCE TO IRAN OF PRICES IT MUST PAY FOR TWO PRINCIPAL CATEGORIES OF IMPORTS: (1) ARMS (2) FOOD GRAINS. HE IMPLIED THAT COST ESCALATIONS IN ARMS WAS MORE IMPORTANT OF THE TWO IN GOVERNMENT'S THINKING (READ: SHAH'S THINKING) AND ASKED EMBOFF IF EMBASSY HAD ANY DATA ON COST INFLATION FOR MAJOR ARMAMENTS PURCHASED BY IRAN. EMB-OFF WAS NONCOMMITTAL BUT SAID HE WOULD LOOK INTO IT.

3. AS TO A PRICE INCREASE ANYTIME IN 1978, YOUSSEFIANI PLEADED INABILITY TO MAKE ANY SUPPORTABLE PROGNOSTICATION IN THIS REGARD BUT HAZARDED THE GUESS THAT NO INCREASE IN 1978 SEEMED TO BE THE LIKELY SCENARIO. HE SAID THERE HAD BEEN CONSIDERABLE TALK AMONG THE OIL MINISTERS AT STOCKHOLM OVER APPARENTLY FAIRLY WELL SUPPORTED ESTIMATES OF A TWO MILLION BARREL A DAY SURPLUS THROUGHOUT MOST OF 1978.

4. APART FROM RATIFICATION OF THE END OF TWO-TIER, YOUSSEFIANI FOUND STOCKHOLM MEETING ESSENTIALLY UNEVENTFUL. THERE WAS CONSIDERABLE TALK, OF COURSE, ON PRICE DIFFERENTIALS OF VARIOUS COMPETING PERSIAN GULF CRUDES BUT NO FIRM DECISIONS REACHED. YOUSSEFIANI THOUGHT THAT YAMANI LEFT THE NOTION WITH HIS MINISTERIAL COLLEAGUES THAT SAUDI ARABIA WOULD EXPORT AGAINST A PRODUCTION CEILING OF 8.5 MILLION BARRELS PER DAY FOR THE REMAINDER OF 1977 BUT HASTENED TO ADD THAT NO BINDING COMMITMENT IN THIS REGARD WAS GIVEN, CERTAINLY NONE IN WRITING.
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5. ONLY OTHER ITEM OF INTEREST PROVIDED BY YOUSSEFIANI WAS OBSERVATION THAT AMOUZEGAR WENT TO CONSIDERABLE LENGTHS TO PATCH UP DIFFERENCES WITH YAMANI. DISPLAYS OF CORDIALITY BETWEEN THE TWO MINISTERS, AS REPORTED IN PRESS, WERE GENUINE ENOUGH. AMOUZEGAR TRIED TO BE AS HELPFUL AND COURTEOUS AS HE COULD BE TO YAMANI WITHOUT BEING PATRONIZING.

6. THE TEHRA ENGLISH LANGUAGE PRESS OVER THE PAST SEVERAL DAYS HAS CARRIED A NUMBER OF INTERVIEWS WITH AMOUZEGAR BOTH IN TEHRAN AND STOCKHOLM ON THE THEME, NOT SURPRISINGLY, THAT IRAN WILL NOT PURSUE ANY OIL PRICE POLICY WHICH THREATENS THE GLOBAL ECONOMY OR MIGHT CAUSE FURTHER INFLATION AND UNEMPLOYMENT. A SUBSIDIARY THEME DEVELOPED IN THESE COMMENTARIES, PROBABLY AT LEAST QUASI-OFFICIALLY INSPIRED, HAS BEEN GROWING REAPPROCHMENT BETWEEN IRAN AND SAUDI ARABIA ON OIL PRICES. TEHRAN JOURNAL FOR JULY 18 COMMENTED THAT THE RATE OF INFLATION IN THE WEST AND THE DEMAND AND SUPPLY FOR OIL WOULD DETERMINE THE OUTCOME IN CARACAS NOTWITHSTANDING A VIEW ATTRIBUTED TO AMOUZEGAR THAT IRAN WOULD NOT PRESS FOR A PRICE RISE LATER THIS YEAR IF WESTERN ECONOMIES WERE IN A PARLOUS STATE. QUERIED SPECIFICALLY BY THE PRESS ON HIS VIEWS ON A PRICE RISE AT THE CARACAS MINISTERIAL, AMOUZEGAR REPORTEDLY

SAID ON JULY 17 THAT HE COULD NOT SPECULATE ON "MARGINAL PRICE
INCREASE AT CARACAS". HE WENT ON TO SAY THAT THE POSSIBILITY OF
SUCH AN INCREASE "DEPENDS ON A WHOLE LOT OF THINGS".
SULLIVAN

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